



State of Utah
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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September 2, 1999

Pat Gochnour
Gochnour & Associates
5231 South Quebec
Greenwood Village, Colorado 80111

Re: Acceptance of Amendment for Exploration Activities Within a Large Mine Permit Area, Summo USA, Lisbon Valley Copper Company LLC, Lisbon Valley Copper Project, M/037/088 (UTU- 72499) (ML-20569), San Juan County, Utah

Dear Mr. Gochnour:

On August 16, 1999 we received your letter on behalf of Summo describing proposed exploration work on BLM managed land in Section 35, and State managed land in Section 36, T30S, R25E, SLBM, San Juan County, Utah. The proposed work is within the currently approved large mine operation permit boundary for Summo's Lisbon Valley Copper Project.

This amendment proposes the creation of access roads, drill pads and drill holes within the proposed large mine operation permit area. The reclamation surety proposed by Summo for this project is \$6,387. Previous exploration disturbances in this general area were absorbed within the large mine permit area, and subsequently covered by a reduced reclamation surety initially posted for the large mine operation. The current reclamation surety posted with the Division for the existing exploration disturbances on BLM and SITLA land is \$69,900.

Normally, the activities proposed would be treated by the Division as an amendment to an existing exploration notice. The Division closed the old exploration notice due to the areas being absorbed within the large mine permit boundary. It was anticipated that exploration disturbances would be mined out, or reclaimed as a result of active mining operations. Given the current situation, the Division will process this proposal as an amendment to the large mine notice for exploration activities within the permit boundary.

Proposed disturbances on BLM land includes construction of 2,950 feet of 14 foot wide access road, construction of five drill pads for one hole each, and construction of one larger drill pad for two drill holes. Assuming a regular drill pad is 20 feet by 20 feet, the proposed surface

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disturbance on BLM land would be approximately 1.0 acre. The proposed disturbances on State land includes construction of one regular drill pad for one hole, and one larger drill pad for two holes. The proposed disturbances on State lands would be approximately 0.02 acre.

Using the average costs from the January 4, 1999 reclamation cost estimate prepared by Summo gives the following:

average cost for reclaiming access trails (scarifying & seeding) = \$1,142/acre
average cost for reclaiming drill pads (scarifying & seeding) = \$1,208/acre
average cost for hole plugging (6-inch diameter) = \$3.30/linear foot

Using these average costs and assuming each drill hole requires 500 feet of plugging, the reclamation cost for disturbances on BLM land would be approximately \$12,688 (\$1,083 + \$55 + \$11,550). Using these same average costs and assumptions, the reclamation cost for disturbances on State land would be approximately \$4,978 (\$0 + \$28 + \$4,950). The combined reclamation cost would be \$17,666.

The information provided in this submission does satisfy the requirements for amending the large mine notice for exploration work. No additional information is required by the Division at this time, however, **the reclamation surety must be posted and formally accepted prior to creating any new disturbance.** The Division requests a total reclamation surety amount of \$17,700 be posted for this amendment. The BLM and SITLA will need to be contacted by Summo to verify the amounts allocated for their lands are acceptable to them before posting a new surety, or amending the existing surety with a rider. One reason for the large discrepancy between the Division's recommended surety amount and Summo's proposed amount is that Summo's estimate included typical hole plugging costs for one 500 foot hole.

Under the current Memorandum Of Understanding (MOU) the Division accepted the joint reclamation surety on behalf of all three agencies involved. The Division is aware that the BLM may be requiring a new Environmental Assessment (EA) for this proposal and this EA would not be completed for more than three weeks. Given this situation, the Division would allow Summo to post separate surety amounts for disturbances posted on State and BLM lands prior to performing activities on these different lands, provided this practice is also acceptable to the other agencies. Please notify Joelle Burns at (801) 538-5291 if you require any surety forms.

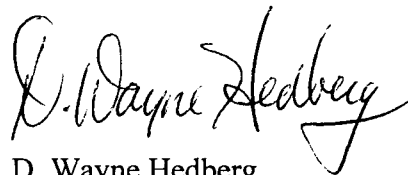
The Division will await your response. Please be advised that you will need approval from each respective land managing agency prior to creating disturbances on their lands. Please keep us apprised of the status of your operation, including any plans for reclamation of your exploration activities by submitting the Mineral Exploration Progress Report (Form MR-EPR) which is enclosed. This report must be filed as required under rule R647-2-115 and returned to

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the Division at the end of each exploration year or when the project is completed (whichever comes first).

Thank you for your cooperation. If you have any questions regarding this letter please contact me at (801) 538-5286 or Joelle Burns at the number previously mentioned.

Sincerely,

A handwritten signature in black ink, reading "D. Wayne Hedberg". The signature is fluid and cursive, with the first name "D." and last name "Hedberg" clearly legible.

D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosure: MR-EPR
cc: Bob Prescott, Summo
Lynn Jackson, BLM
Will Stokes, SITLA
Tracking File
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